

FINANCIAL SERVICES

# ESG Benchmark Report 2024



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# 1 Introduction

With its function of financing private households, corporates and public authorities, as well as allocating savings and equity investments, the financial sector is at the heart of the sustainable transformation of our world. Demand and expectations of various stakeholders such as regulatory and supervisory authorities, corporate and private clients and society have changed dramatically in recent years. As a result, banks find themselves in an entirely new role which is subject to considerable social & political pressure.

In addition to the growing social awareness of sustainability and the corresponding expectations for banks to adopt sustainable practices and offer sustainability-linked products, the introduction of new regulatory requirements, such as the Corporate Sustainability Reporting Directive (CSRD), are key drivers for banks' evolving areas

of action. These regulatory requirements give rise to specific activities, such as assessing the impact of own business operations on the environment and society, as well as strategically designing and implementing the decarbonization of own business activities and portfolios. Regulatory activities, as well as all other activities centered around sustainability, are published annually in a group-wide sustainability report.

Despite increased transparency, external stakeholders often face difficulties in navigating extensive corporate reports and fully grasping the sustainability performance of different banks. To address this challenge, we provide a detailed overview of progress across various sustainability topics, showcase exemplary practices and innovative solutions, and highlight areas with the most significant shortcomings.

*ESG is one of the strategic levers that can help banks differentiate themselves and lead in a competitive market."*



**Joachim von Puttkamer**  
Head of Financial Services in Germany

*"I work with banks to turn ESG into a strategic advantage, showing them how sustainability can drive growth and long-term success."*



**Marco Meyer**  
Head of Sustainable Banking in Germany



# 2 Research Methodology

For our FS ESG Benchmark Report 2024, we analyzed 15 German and European banks.



Bank	Country
Aareal Bank AG	Germany
Banco Santander S.A.	Spain
Bayerische Landesbank AöR	Germany
BNP Paribas S.A.	France
Commerzbank AG	Germany
Deutsche Bank AG	Germany
DZ BANK AG	Germany
HSBC Holdings PLC	United Kingdom
ING Groep N.V.	Netherlands
Kreditanstalt für Wiederaufbau AöR	Germany
Landesbank Baden-Württemberg AöR	Germany
Landesbank Hessen-Thüringen Girozentrale AöR	Germany
Norddeutsche Landesbank Girozentrale AöR	Germany
UBS Group AG	Switzerland
UniCredit S.p.A.	Italy

Figure 1: Banking peer group

The selection criteria taken into account for both the German and European institutions were, amongst others, size in terms of total assets and market positioning.

We defined the following four topic cluster to structure our FS ESG Benchmark Report 2024:

1. Products and Services
2. Internal Assets and Operations
3. Governance
4. Reporting

Within these four topic clusters we defined 25 subject areas and 123 key performance indicators (KPIs) for analysis, cf. Figure 2 at the bottom of this chapter.

Only trustworthy and publicly available information was used for assessment, such as annual reports, sustainability reports, green bond frameworks, green bond impact reports, and additional details available on the banks' websites. Our analysis covers the period from 2023-Q1 2024.

In a thorough data collection process, the information was then mapped to

the respective KPIs. To determine whether a KPI should be considered fulfilled by a bank, we established a KPI assessment scheme for each indicator to ensure a standardized evaluation process.

In accordance with the defined KPI assessment scheme, the collected information was reviewed with regards to its materiality.

Insofar a KPI was assessed as fulfilled by a bank, a score of 1 was assigned. Conversely, if the information was insufficient to meet the materiality criteria of a KPI, we assigned a score of 0.

As part of the materiality assessment, best practices from the peer group were analyzed to provide strategic guidance to banks with identified deficiencies.



Figure 2: Topic cluster and subject areas



# 3 Findings of the Research

The extensive comparison of the 15 banks along the previously described topic and KPI structure has led to exciting findings, both in terms of geographical and institution-related comparison.

The outperformance of European banks can be primarily attributed to the size of the institutions analyzed. International large-capitalized (large-cap) banks, with diverse business activities across various industries, product types, and sectors, tend to employ larger and more specialized teams dedicated to ESG-related topics. As a result, these banks are more likely to meet the broader range of KPIs defined.

A similar pattern is evident when only comparing German banks, though slightly less pronounced. Four of the five largest German banks in terms of total assets are also among the top four German banks in terms of total points.

However, the example of the overall best and third-best rankings demonstrates that ESG performance is not solely dependent on the size of the institution, as these positions are held by relatively small banks.

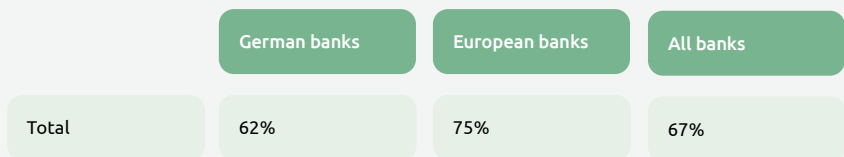
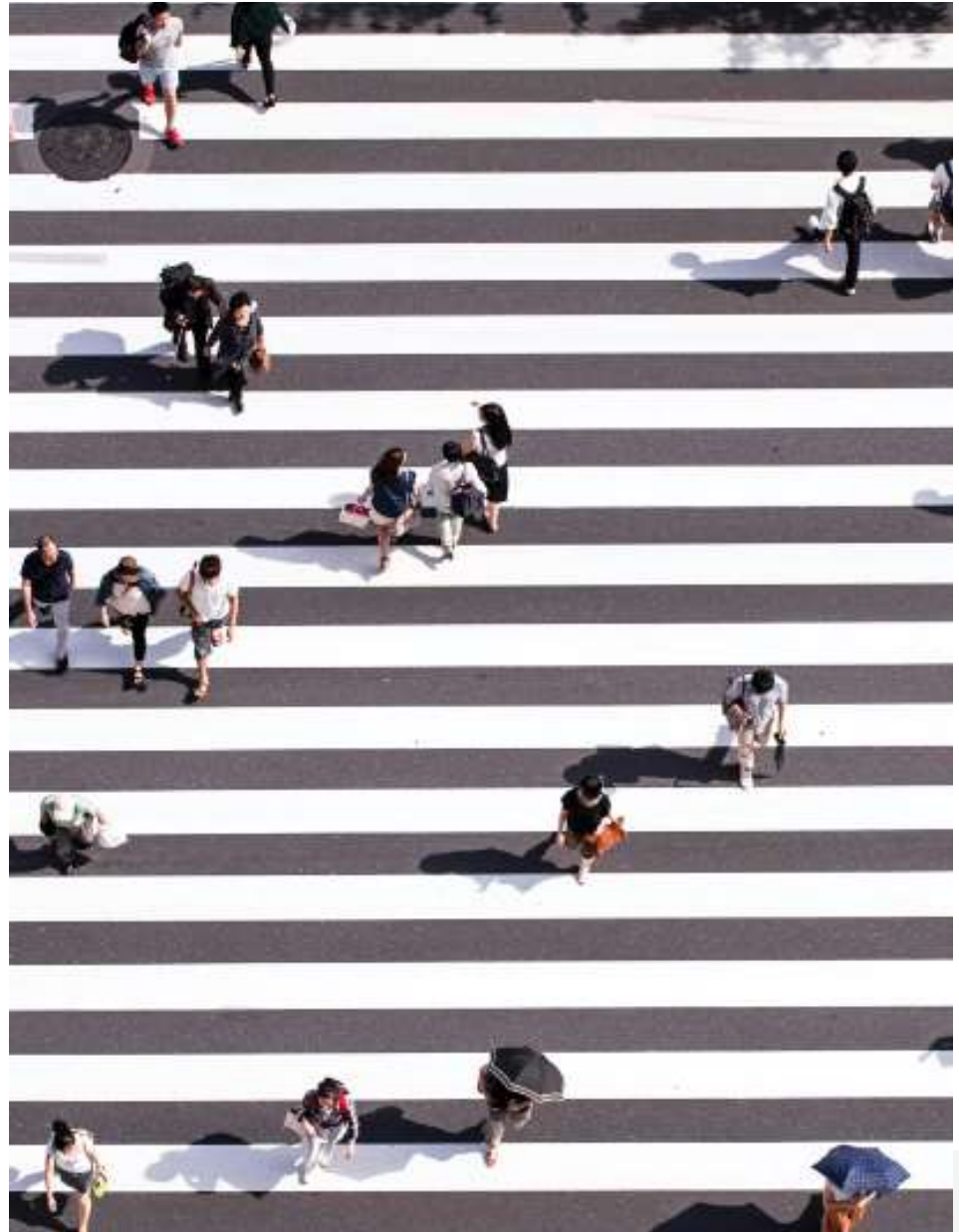


Figure 3: Total KPI fulfillment rate



With regards to the banks' performance in the four different topic cluster we could observe the strongest performance in Governance and the most deficits in Products and Services. The relatively weak performance in Products and Services is attributable to the limited or underdeveloped range of offerings related to the Circular Economy and Water Management.

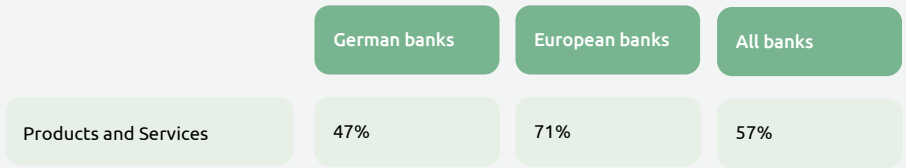


Figure 4: KPI fulfillment rate in topic cluster Products and Services

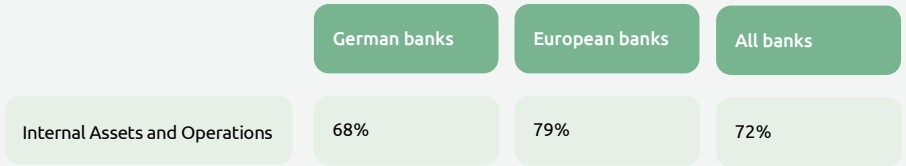


Figure 5: KPI fulfillment rate in topic cluster Internal Assets and Operations

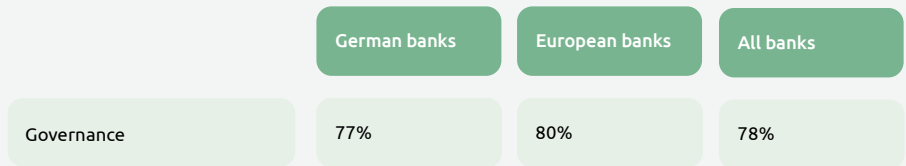


Figure 6: KPI fulfillment rate in topic cluster Governance

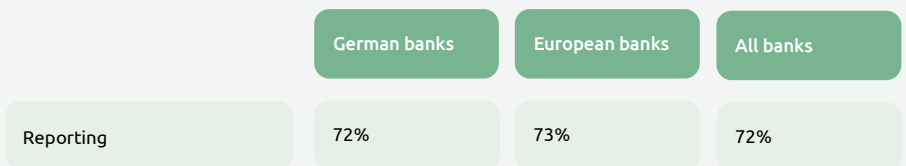


Figure 7: KPI fulfillment rate in topic cluster Reporting

## 3.1 Products and Services

*Switching from traditional financial products to ESG-integrated products and services is not an easy task for banks - but it is rewarding.”*

Sustainability-linked products harbor great sales promise due to increased interest from private and corporate customers. In particular, demand for sustainable investment products has been exceptional in recent years. The global volume invested in sustainable funds has increased by more than 50% just within the last three years and amounts up to US \$ 3 trillion (tn) as per Q1 2024.<sup>1</sup> The majority of this increase is attributable to investments from Europe, although the momentum has cooled significantly since 2022. In the area of green, social, sustainability, and sustainability-linked bonds, the volume of financing is growing unabated with new financing in Q1 2024 totalling over US \$ 270 billion (bn).<sup>2</sup> This reflects a 15% increase compared to Q1 2023.

However, the transition to ESG-integrated investment and credit products is not an easy one. ESG integration requires the adaptation of existing management and risk models. A complex challenge, as the existing robust systems designed to manage traditional risks, such as market price and credit risk, must be extended to include environmental dimensions. The frequent expectation on the part of customers that green financing is granted at favorable interest rates by means of a green premium does not ease the situation.

For the FS ESG Benchmark Report 2024, we analyzed eight subject areas in Products and Services. Detailed information on the four subject areas highlighted in bold is provided subsequently.

Please refer to the comment below for details on why certain subject areas are not addressed in this report.

The eight product segments include:

- **Agriculture**
- **Biodiversity**
- **Circular Economy**
- **Real Estate**
- Energy Transition
- Financial Health & Inclusion
- Mobility
- Water Management

In our report, we have refrained from discussing all subject areas analyzed within a topic cluster. There may be various reasons for this.

One of the reasons with respect to the subject area Energy Transition, for example, is that the majority of banks work very successfully in similar manner, making aggregated comparisons less insightful. Conversely, in the subject areas of Financial Health & Inclusion, Mobility, and Water Management, many banks' reports lacked sufficient detail to enable a conclusive assessment of individual KPIs.

Please feel free to contact us if you have any questions on the topics discussed or not discussed in this report. You can find our contact details at the end of Chapter 5 - Walking the talk.



<sup>1</sup> Morningstar. (2024)  
*Global Sustainable Fund Flows: Q1 2024 in Review.*

<sup>2</sup> Climate Bonds Initiative. (2024)  
*Sustainable Debt Market Summary Q1 2024*



### 3.1.1 Agriculture

*80% of banks have references for financing sustainable agriculture, but none of the banks has already defined concrete, measurable targets.”*

Did you know that around 70% of the world’s fresh water is consumed by agriculture businesses?<sup>3</sup> But that’s not all. Direct carbon dioxide (CO<sub>2</sub>) emissions from agriculture, forest, and other land use totalled 7.2 Gigatons (Gt) CO<sub>2</sub> in 2021, accounting for around 15% of global greenhouse gas emissions.<sup>4</sup> Fortunately, operating in agricultural business offers sufficient opportunities to reduce direct CO<sub>2</sub> emissions. By incorporating efficient levers, up to 80% of direct emissions can be reduced by 2050.<sup>5</sup>

Investment and financing references in sustainable agriculture were found for

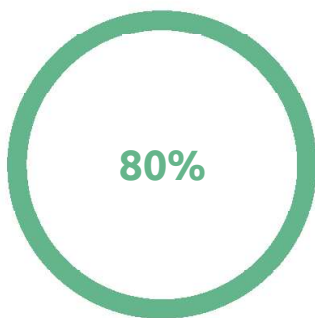
80% of the institutions. Nevertheless, research indicates that the sustainable agriculture product offering is not yet as mature. Only a few specialized banks have in-depth expertise and a well-developed range of services generating substantial business volume.

Most banks have just lately established sector policies for new financing. In addition, large-capitalized banks have recently joined local and global initiatives on sustainable agriculture, such as the Banking for Impact on Climate in Agriculture (B4ICA) initiative and the Agribusiness Task Force of the Sustainable Markets Initiative.

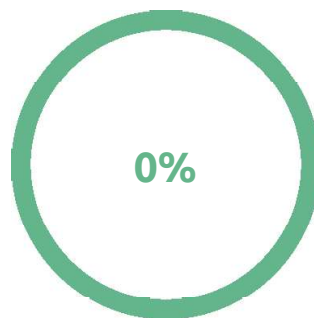
#### Best Practices

**HSBC Climate Asset Management** and **Pollination Group** have established a joint venture and mobilized over US \$ 650 million (m) in investor funds in 2022 to invest in biodiversity-focused agriculture, reforestation and nature restoration projects. The target return on investment is expected to be around 10% p.a.

**BNP Paribas Poland** has launched the “Agronomist.pl” platform, a comprehensive toolbox designed to assist agrifood companies in the agroecological transition. The platform features different experts who specialized in sustainable agriculture measures.



**Financing and investments in sustainable agriculture**



**Quantified targets for the development of own business**

Figure 8: Maturity level of portfolio development in Agriculture

<sup>3</sup> Bain & Company. (2023). *Can Food and Agriculture Companies Raise Their Game?*  
<sup>4</sup> Climate Watch. (2021). *Global Historical Emissions.*  
<sup>5</sup> McKinsey & Company. (2023). *The agricultural transition: Building a sustainable future.*

## 3.1.2 Biodiversity

*“Only 15% of the institutions analyzed have established quantified targets for their future efforts on biodiversity.”*



Biodiversity encompasses the diversity of all living organisms, habitats, and ecosystems on land, in fresh water, in the oceans and in the air.<sup>6</sup> Unfortunately, human activity is destroying biodiversity faster than ever before. Our global populations of mammals, fish, birds, reptiles and amphibians have declined by an average of 69% between 1970 and 2018.<sup>7</sup> Biodiversity loss was ranked as the third most severe threat humanity will face in the next 10 years.<sup>8</sup>

The protection of biodiversity is important for both our climate and our global economy. Preserving existing ecosystems and restoring degraded ecosystems can increase carbon sequestration by the equivalent of up to 6.7 Gt carbon dioxide equivalents (CO<sub>2</sub>e) annually by 2050.<sup>9</sup> According to estimates, up to 50% of the global

gross domestic product (GDP) is at risk due to the dependence of business on nature and its services.<sup>10</sup>

Only one third of banks have references of financing projects specifically aimed at protecting biodiversity. However, there are indications that banks increasingly take biodiversity issues seriously and treat them accordingly. 60% of banks have integrated the impact of biodiversity risks in their decision-making processes on new business and in their portfolio risk review. As many as 80% of the banks have communicated measures and ambitions to address biodiversity more intensively in the coming years. When it comes to the communication of precise targets, the institutions remain cautious. Only 15% have published quantified targets to date.

### Best Practice

**Deutsche Bank** was the first financial institution to join the Ocean Risk and Resilience Action Alliance (ORRAA) in 2021. Launched at the 2019 climate summit, the organization aims to facilitate investments of \$500 m in coastal and marine ecosystems by 2030.

33%

**Financing towards biodiversity initiatives**

80%

**Action plan for enhancing the integration of biodiversity**

Figure 9: Current status and ambitions for business development in the area of Biodiversity

<sup>6</sup> Max-Planck-Gesellschaft. (2024) *Biodiversität – Vielfalt des Lebens.*

<sup>7</sup> WWF. (2022) *Living Planet Report 2022.*

<sup>8</sup> World Economic Forum. (2024) *These are the biggest global risks we face in 2024 and beyond.*

<sup>9</sup> McKinsey & Company. (2023) *The agricultural transition: Building a sustainable future.*

<sup>10</sup> World Economic Forum. (2020) *New Nature Economy Report II - The Future Of Nature.*

### 3.1.3 Circular Economy

*“Financing tailored to the circular economy is rare. This provides banks with the opportunity to position themselves as market leaders in a promising segment.”*

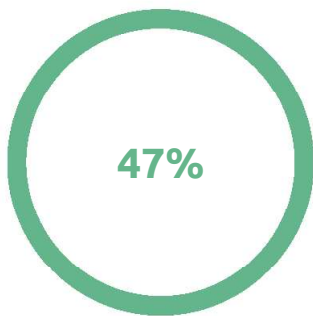
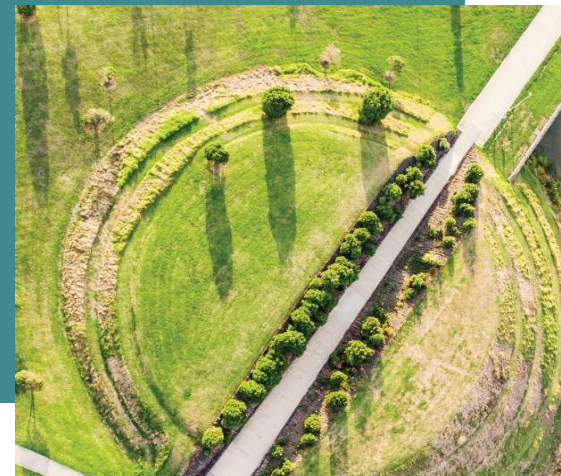
Circular economy aims to replace the linear “take-make-waste” approach with a system where resources and products are reused, repaired, refurbished and recycled.<sup>11</sup> This shift is crucial for ensuring long-term success in a world where annual consumption of natural resources is approximately 1.75 times the Earth’s annual regenerative capacity.<sup>12</sup> Circular Economy is not only a principle to improve environmental sustainability but provides companies with a competitive advantage, enabling them to excel in a future in which profits will be made differently.<sup>13</sup>

Only 47% of the banks examined provide financing and investment products related to the circular economy, with primarily large-cap banks already being active in this area. However, the volumes associated with circular products and services remain modest compared to the overall size of the institutions. Furthermore, only 20% of banks issue sustainable bonds with proceeds directed towards further investments in the circular economy. Of all the banks analyzed, only one has published quantitative targets for expanding its circular economy business.

#### Best Practices

UniCredit supports highly innovative start-ups through UniCredit Start Lab since 2009. To date, 70 companies with business models centered on circular practices have raised more than € 90 m in investments through the bank’s platform.

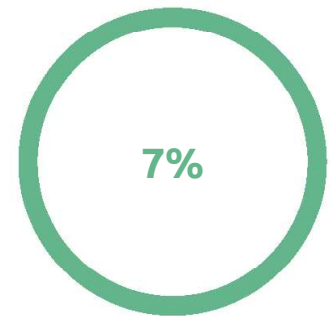
As early as 2019, **BNP Paribas Asset Management** launched an Index ETF dedicated to the circular economy. As of July 2024, this ETF manages € 650 m in assets, achieving notable success as the world’s first circular economy ETF.<sup>14</sup>



Financing and investment products towards circular economy



Sustainability bonds with proceeds towards circular economy



Long-term quantitative targets

Figure 10: Maturity level of banks’ products and services related to Circular Economy

<sup>11</sup> European Parliament. (2023) *Circular economy: definition, importance and benefits.*

<sup>12</sup> WWF. (2024) *Earth Overshoot Day*

<sup>13</sup> Bain & Company. (2023) *The Future Is Circular: How Companies Can Prepare to Grow in a Changing World.*

<sup>14</sup> Morningstar. (2024) *BNP Paribas Easy ECPI Circular Economy Leaders UCITS ETF Cap (EUR) | EMEC.*



### 3.1.4 Real Estate

*“The sustainable real estate product segment is well-developed across Europe. However, banks need to apply existing technology for aligning the real estate sector with the Net Zero climate goal.”*

The real estate sector is a key contributor to GHG emissions, representing approximately 37% of energy-related and process-related CO<sub>2</sub> emissions.<sup>15</sup> Already today, there are regulations and technologies that have the potential to achieve significant energy savings. Their application is required for aligning the real estate sector with the Net Zero climate goal.<sup>16</sup> Since global floor area is growing, emissions stemming from real estate are likely to increase. Banks can potentially counteract that trend by expanding their value-added advisory services to promote green renovations or smart buildings.

Despite the maturity of the real estate product segment, the real estate sector is lagging the target of decarbonization by 2050.<sup>17</sup> Compared to the 92% coverage of European peers, only 72% of German banks offer advisory services and value chain partnerships to promote sustainable real estate.



#### Best Practice

**BNP Paribas Real Estate** has entered a partnership with Materrup, which is working to produce cleaner cement made from uncalcined clay, a material sourced from waste. The pilot projects encompass a

total of 81,800 m<sup>2</sup> of floor space. Additionally, they partnered with iQspot, a company that analyzes energy consumption data and derives measures to save up to 16% of energy without renovation.

100%

Financing sustainable mortgages

87%

Issuing of green bonds related to real estate

87%

Offering advisory services on building renovations

67%

Value chain partnerships to promote sustainable real estate

<sup>15</sup> UN environment programme. (2022) *Global status report for buildings and construction.*

<sup>16</sup> International Energy Agency. (2023) *energy system buildings*

<sup>17</sup> UN environment programme. (2022) *Global status report for buildings and construction.*

Figure 11: Percentage of banks with sustainable Real Estate related products and services

## 3.2

# Internal Assets and Operations

*“Sustainability must be implemented not only in the products and services offered, but throughout the entire bank, in all functions and processes.”*

Although the CO<sub>2</sub> emissions financed by a bank account for the lion's share - in some cases up to 90% - of total emissions, it is nevertheless important that banks firmly integrate sustainability into all internal processes and functions. Supervisory authorities, customers, but also the own workforce and potential new employees raise this expectation.

Achieving comprehensive and effective ESG integration within internal operations is a multifaceted and complex task. It involves managing a range of topics and processes, including energy sourcing and management within office facilities, the transformation of IT services, and

the adoption of electric vehicles within the company's fleet. Each of these areas requires specialized expertise. Additionally, numerous service providers engaged by the bank need to be reviewed.

The ESG integration in Internal Assets and Operation was assessed along seven subject areas. Detailed information on the four subject areas highlighted in bold is provided subsequently.

Please refer to the comment below for details on why certain subject areas are not addressed in this report.

- **Banks' own Investment Portfolio**
- **Buildings**
- **Information Technology**
- **Mobility**
- Energy Sourcing
- Operations
- Procurement

In our report, we have refrained from discussing all subject areas analyzed within a topic cluster. There may be various reasons for this.

The banks' overall performance in the three unaddressed subject areas is commendable, with total scores of 93% and 83% in Energy Sourcing and Procurement, respectively. However, in Operations, the primary shortcomings identified include the absence of quantified long-term targets and clear action plans for achieving these objectives.

Please feel free to contact us if you have any questions on the topics discussed or not discussed in this report. You can find our contact details at the end of Chapter 5 - Walking the talk.



## 3.2.1

### Banks' own portfolio

*All banks have established principles and guidelines to incorporate sustainability in lending and investing activities.”*

In response to mandatory disclosure requirements regarding climate-related and environmental risks, banks have set up risk management frameworks to account for sustainability in their own portfolios. While all banks have improved their understanding of climate-related risks and are adjusting their business strategies, larger and more international banks tend to have more comprehensive frameworks and more measurable targets.<sup>18</sup>

93% of the banks in our study defined positive screening criteria, client engagement strategies, or exclusion criteria respectively. We find that around 20% of banks have committed to divestments from carbon intensive sectors such as oil and gas. Additionally, over 80% have implemented measures to track the impact of their investments.

#### Best Practice

The Sustainable Investment Framework of **Landesbank Hessen-Thüringen Girozentrale** (Helaba) defines the sustainability strategy for all types of investments. This includes not only the asset management activities for the subsidiary Helaba Invest, but also for own account investing activities

of the Helaba group. The framework sets clear exclusion and inclusion criteria, risk-appetite thresholds, and dimensions of active ownership. Active ownership is exercised through voting rights and direct dialogue with enterprises.

100%

Sustainability framework for lending and investing activities

93%

Positive screening of ESG criteria

80%

Measures for tracking impact investment

20%

Commitments to divestments from carbon intensive sectors

Figure 12: Percentage of banks with sustainability measures regarding Bank's own portfolio

<sup>18</sup> ECB. (2023)  
*The importance of being transparent*





## 3.2.2 Buildings

*All banks established energy efficiency measures in own office spaces and source energy from renewables.”*

The ongoing popularity of remote work has led to a long-term trend of reducing office space, particularly affecting banks that traditionally occupy large office spaces in prime locations.<sup>19</sup> While prime rents continue to increase despite steady-slow increasing vacancy rates at the same time, considerations on office downsizing or relocation are unavoidable.<sup>20</sup>

There are three major starting points from which the sustainability performance of buildings can be optimized. These are the purchase or rental of buildings with high energy standards, the sourcing of

renewable energy, and guidelines for the prudent use of resources in day-to-day operations.

All banks analyzed have implemented energy efficiency measures in their office spaces, with 73% holding external green building certifications such as LEED, BREEAM, or ISO 14001. Similarly, all banks source electricity from renewable energies. Pioneering banks like Kreditanstalt für Wiederaufbau (KfW) go even further, relying on their own photovoltaic, solar, geothermal, and wood pellet systems, as well as heat pumps.

### Best Practice

In 2023, **Landesbank Baden-Württemberg (LBBW)** has shortened the heating period of its offices by delaying the start and advancing the end of the heating, reduced the room temperature by 3 degrees to 19°C, and partially discontinued the heating of water in sanitary facilities.

100%

Energy efficiency measures for own office space

100%

Sourcing of energy from renewables

93%

Short- and medium-term targets to reduce emission from own buildings

73%

External green building certification for own buildings

<sup>19</sup> Cushman & Wakefield. (2023) *Banken auf Wechselkurs*

<sup>20</sup> JLL. (2024) *Office Market Overview*

Figure 13: Percentage of banks with sustainability measures for own Buildings

### 3.2.3 Information Technology

*All banks have initiated the migration of their IT to the cloud. Many have partnerships with at least one public cloud hyperscaler.”*

A key topic of information technology is the migration from on-premises applications to cloud computing. Services of the public cloud hyperscalers offer benefits such as scalability, cost-efficiency, advanced data security, and optimization for AI applications.

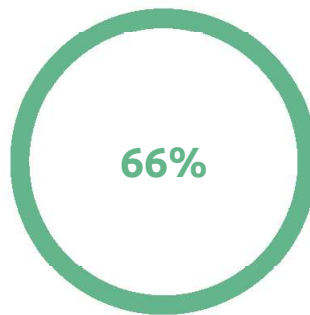
All banks analyzed have at least initiated the adaption of the cloud as part of their digital transformation. In a survey from 2023, 91% of respondents indicated that cloud adoption was partially or fully completed, 5% reported that there are no plans for adoption, and 4% were still evaluating the adoption.<sup>21</sup> Cloud migration supports sustainability

objectives, as hyperscalers engage in sustainability aspects such as energy efficiency and report on the emissions linked to their services.

Our research found that 66% of banks are optimizing their data centers for energy efficiency and CO<sub>2</sub> emissions, while 33% of the institutions have already implemented first circular practices for own IT equipment. The relatively low maturity of this topic is also reflected by the fact that just 33% of banks have set quantified long-term targets, and 40% have communicated a transition plan to improve their current practices.

#### Best Practice

**Commerzbank** modernizes its IT infrastructure by migrating to the cloud. By 2024, the bank aims to operate 85% of its decentralized applications in a hybrid multicloud approach.



Optimization of data centers



Practices to reduce impact of IT hardware and other physical material

Figure 14: Percentage of banks with sustainability actions regarding Information Technology



<sup>21</sup> Capgemini. (2023) World Cloud Report

### 3.2.4 Mobility

*The adoption of green mobility is mature in most banks. Employees are encouraged to commute sustainably and 73% of institutions have already reformed their business travel policies.”*

Although commuting preferences have changed, the private car is still the most common way of commuting.<sup>22</sup> In cities, a trend towards electric bikes can be observed due to decreasing prices and more bicycle-friendly infrastructure projects.<sup>23</sup>

All banks encourage their employees to commute more sustainable. 73% of the banks redesigned their travel policies for business commute and 67% started to replace their car fleet with battery electric vehicles (BEV). 47% of institutions already equipped their office locations with e-charging stations for their employees. In addition, many banks subsidise public transport for their employees.



#### Best Practice

**Banco Santander** offers more than 1,700 electric car charging stations that employees can use for free. The number of charging stations is to be expanded as the number of electric vehicles in the car fleet increases. By 2025, the number of electric vehicle spaces shall exceed 2,000.

100%

Encouragement of employees to commute more sustainable

73%

Redesign of travel policies

67%

Replacement of car fleet with electric vehicles

47%

Provision of charging stations at office locations

Figure 15: Percentage of banks with sustainability measures regarding Mobility

<sup>22</sup> Giménez-Nadal, Molina, Velilla. (2022) *Trends in commuting time of European workers: A cross-country analysis.*

<sup>23</sup> European Cyclists' Federation. (2018) *The benefits of cycling.*



### 3.3 Governance

*“Internal governance serves as the foundation upon which banks build their sustainability strategies.”*

A robust governance framework is essential for effectively integrating ESG principles and ensuring long-term success.

However, governance extends beyond mere regulatory compliance. It involves fostering a culture of accountability and transparency, where sustainability is deeply embedded in all levels of decision-making. This requires a shift in mindset that must originate from the top of the organization. Leadership plays a crucial role in ensuring that ESG considerations are viewed not merely as a compliance issue, but as a strategic priority.

By strengthening internal governance, banks can not only meet regulatory requirements but also position themselves as leaders in sustainability, thereby making a positive contribution to society and the environment.

The topic cluster Governance was assessed along six subject areas. Detailed information on the three subject areas highlighted in bold is provided subsequently.

Please refer to the comment below for details on why certain subject areas are not addressed in this report.

- **Carbon Offset**
- **Diversity & Inclusion**
- **External Stakeholder Management**
- Employee Engagement
- Fair Business Operations
- Organization & Governance

In our report, we have refrained from discussing all subject areas analyzed within a topic cluster. There may be various reasons for this.

The subject area of Employee Engagement is closely aligned with Diversity & Inclusion and is therefore addressed in Chapter 3.3.2 - Diversity & Inclusion. In the area of Organization & Governance, the banks demonstrated outstanding performance, achieving an overall score of 96%, which limits the value of an aggregated comparison. The KPI measurement scheme in the subject area Fair Business Operations is based on negative screening. For this reason, we have decided not to publicly highlight individual institutions as negative examples due to involvement in certain controversies.

Please feel free to contact us if you have any questions on the topics discussed or not discussed in this report. You can find our contact details at the end of Chapter 5 - Walking the talk.



### 3.3.1

## Carbon Offset

*“More than two-thirds of banks have developed an initial strategy to offset unavoidable or previously un-reduced CO<sub>2</sub> emissions. However, less than half of the banks already execute their strategy, either full or in part.”*

CO<sub>2</sub> offsetting is a process aimed at compensating for emissions of CO<sub>2</sub> or other greenhouse gases by funding projects that reduce or sequester an equivalent amount of CO<sub>2</sub> elsewhere.<sup>24</sup> Despite the fundamentally positive intention, carbon offsetting has been subject to public scrutiny. Criticisms include the variable quality of offset projects and the inconsistent standards governing them, which can lead to questionable environmental benefits. Investigations have found that some offset projects fail to deliver the promised emissions reductions, with studies revealing that a large percentage of

forestry credits did not represent real reductions.<sup>25</sup> Additionally, some projects have been linked to negative social impacts, such as the displacement of indigenous communities.<sup>26</sup>

The share of banks already purchasing carbon offsets either through renewable energy or afforestation projects is 47%. At present, only emissions from own operations are offset but not yet any financed emissions. Certificates are mainly purchased via platforms such as “atmosfair”, which enables investments in projects certified, e.g. with the Gold Standard.<sup>27</sup>

### Best Practice

BayernLB demonstrates best practice in carbon offsetting by attaining climate neutrality at its Munich location since 2008 through the acquisition of high-quality carbon credits. Since 2015, the bank’s other German offices have also achieved climate neutrality. Unavoidable CO<sub>2</sub> emissions are offset through certificates from atmosfair, supporting climate protection projects in countries significantly affected by climate change.

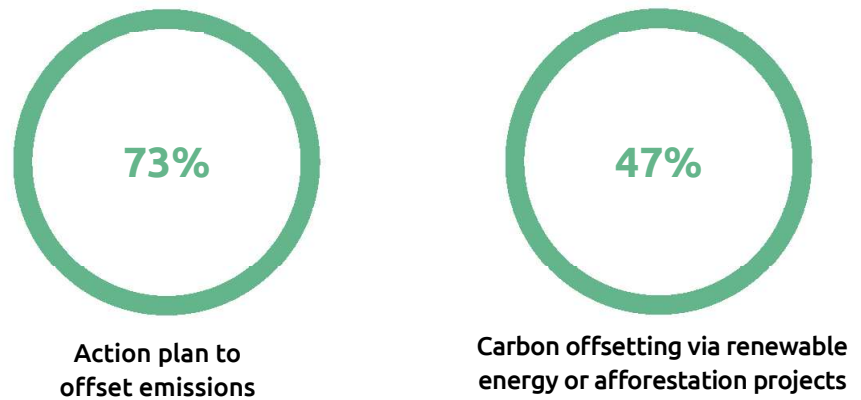


Figure 16: Current status and ambitions in the area of Carbon Offset



<sup>24</sup> MIT Climate Portal. (2022) Carbon Offsets.

<sup>25</sup> Center for Strategic & International Studies (CSIS). (2024) What’s Plaguing Voluntary Carbon Markets?

<sup>26</sup> Greenpeace. (2020) The biggest problem with carbon offsetting is that it doesn’t really work.

<sup>27</sup> atmosfair gGmbH. (2024) Übersicht der Klimaschutzprojekte von atmosfair.



### 3.3.2

## Diversity & Inclusion

*Banks are well-positioned in terms of Diversity & Inclusion (D&I). Nearly all institutions articulate clear ambitions and strategies for further enhancing their positioning in the future.”*

Embracing a diverse workforce fosters a variety of perspectives, enhances problem-solving capabilities, and drives better decision-making. The importance of this topic is underscored by its correlation with a company's performance, as corporates with executive teams in the top quartile for gender diversity are, on average, 18% more likely to outperform their peers.<sup>28</sup>

Corporate D&I is driven by the establishment of internal communities and networks, but also by the targets relating to the composition of the workforce, e.g. in terms of ethnicity, gender, or physical ability.

The subject area Employee Engagement is closely related to D&I. Banks are well positioned in this area too, although only a third have defined concrete targets and measures. 14 of 15 banks already developed a set of mandatory and voluntary ESG trainings. In addition, 80% of the institutions encourages its employees to participate and contribute in internal or external ESG networks.



### Best Practices

**BNP Paribas** has established a Corporate Governance, Ethics, Nominations, and CSR Committee (CGEN) to oversee and drive the bank's D&I initiatives. Among its various responsibilities, the CGEN conducts an annual assessment of the board of directors concerning diversity aspects, ensuring consistent progress and accountability.

A key factor in **ING's** success in diversity and inclusion is the "70% principle". This guideline ensures that no organizational level or group consists of more than 70% of the same gender, nationality, or age group. Managers are responsible for building diverse teams in alignment with this principle and the bank's global priorities.

100%

Initiatives to address gender pay gap

93%

Concrete diversity targets and ambitions

93%

ESG trainings and upskilling opportunities

87%

Diversity in board composition

<sup>28</sup> McKinsey & Company. (2023) *Diversity matters even more: The case for holistic impact.*

Figure 17: Current status and ambitions in the area of Diversity & Inclusion



### 3.3.3

## External Stakeholder Management

*The elevated level of external stakeholder management observed within the banking sector underscores the significant importance that financial institutions attribute to this area."*

External stakeholder management involves systematically identifying, engaging with, and addressing the concerns and needs of external entities such as customers, suppliers, and the wider public, who have a vested interest in an organization's operations. Good practices are pivotal as they can enhance reputation, promote trust, and contribute significantly to long-term success.

All banks analyzed are members of ESG banking alliances, engage in collaborative partnerships, and have committed to strengthening ESG practices. The vast majority (93%) also collaborates with other industry players, supervisory

authorities, or Non-Governmental Organizations (NGOs) to shape and improve new and existing ESG policies, frameworks, and implementation tools. However, a pure outside-in view makes it difficult to determine which institutions are committed the most.

In addition to their participation in banking alliances and partnerships, all banks are actively engaged in global and/or local charitable initiatives.

### Best Practices

In 2022, **Commerzbank** established an external Sustainability Advisory Board under the auspices of the Chairman of the Board of Managing Directors. This initiative promotes constructive and critical dialogue with stakeholders. The Advisory Board comprises six experts representing the fields of politics, science, society, non-governmental organizations, trade unions, and small and medium-sized enterprises.

Through the **BNP Paribas Foundation**, BNP pursues two philanthropy programs. Since its launch in 2010, the Climate & Biodiversity Initiative supported more

than 500 researchers in 35 projects, e.g. in studies on climate change impact on African savannah or coastal ecosystems. In collaboration with the Bill & Melinda Gates Foundation, BNP Paribas also financially supports researchers working on climate change adaption in the agricultural sector in Africa.

**UBS** takes a leadership role in the Taskforce on Nature-related Financial Disclosures (TNFD) by leading its financial sector working group, contributing to the development of the recommendations released in September 2023.

100%

Affiliation to banking alliances

87%

Engagement with other market participants to improve policies, frameworks, and implementation tools



Figure 18: Level of engagement in External Stakeholder Management

## 3.4

### Reporting

*Reporting is more than just a compulsory exercise. In the modern financial world, reporting is the backbone of sustainability transparency.”*

Through detailed and accurate reporting, banks can not only meet regulatory requirements but also foster trust among investors, customers, and the broader public. Reporting is more than just numbers and data. It is an opportunity for banks to tell their sustainability story and demonstrate their progress towards a greener future.

The number of companies worldwide producing sustainability reports has increased significantly in recent years and this trend is set to continue. In 2023, more than 23,000 companies voluntarily participated in the Carbon Disclosure Project (CDP) surveys, marking an increase of nearly 25% from the previous year.<sup>29</sup> With the introduction of the CSRD as the successor to the Non-Financial Reporting Directive (NFRD), 50,000 companies will be mandated to prepare comprehensive sustainability reports. A substantial increase from the roughly 11,000 companies previously covered under the NFRD.

<sup>29</sup> Carbon Disclosure Project. (2023) CDP 2023 disclosure data factsheet.



The topic cluster Reporting was assessed along four subject areas. Detailed information on the two subject areas highlighted in bold is provided subsequently. Please refer to the comment below for details on why certain subject areas are not addressed in this report.

- **Emissions Monitoring**
- **Portfolio Level Disclosure**
- Assurance
- Continuity & Transparency

In our report, we have refrained from discussing all subject areas analyzed within a topic cluster. There may be various reasons for this.

The performance in the subject area Assurance was consistently very good with regards to certain KPIs. Deficits were again particularly evident in KPIs

that are characterized by negative screening. As already described in Chapter 3.3 - Governance, we do not intend to publicly identify individual institutions as negative examples for specific issues in our report.

In the subject area Continuity & Transparency, KPI evaluation relies on qualitative, less tangible indicators. Although the comparison of institutions did yield interesting findings, these cannot be accurately represented at an aggregated level, but require a case-by-case analysis.

Please feel free to contact us if you have any questions on the topics discussed or not discussed in this report. You can find our contact details at the end of Chapter 5 - Walking the talk.



### 3.4.1

## Emissions Monitoring

*“While all banks report on their Scope 1 and Scope 2 CO<sub>2</sub> emissions, most face challenges in calculating their Scope 3 financed emissions.”*

Greenhouse gas emissions can be divided in three scopes: Scope 1 (direct emissions from combustion in owned or controlled boilers, furnaces, vehicles, etc.), Scope 2 (indirect emissions from the generation of purchased electricity, steam, heating, and cooling), and Scope 3 (other indirect emissions that arise as a result of the company’s own activities).<sup>30</sup> The importance of monitoring and reporting CO<sub>2</sub> emissions has been elevated by the CSRD, which mandates detailed disclosure.

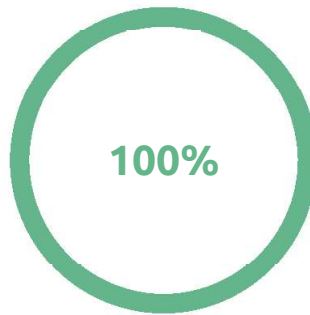
For banks, Scope 3 Category 15 emissions, also known as financed emissions, typically represent the largest share

of their total CO<sub>2</sub> emissions. However, calculating the financed emissions often is challenging due to poor data quality and the complexity of tracking emissions across different portfolios.

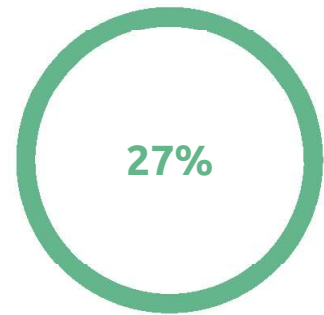
Research has shown that all banks publish their Scope 1 and Scope 2 emissions. However, only four institutions have successfully calculated and published their financed emissions for more than 50% of their credit exposure. Two-thirds of the banks have additionally published the Partnership for Carbon Accounting Financials (PCAF) data quality scores accompanying their Scope 1-3 reporting.

### Best Practice

ING’s coverage of financed emissions is 94% for lending and 98% for equity investments. The bank provides detailed reporting, including breakdowns by NAICS sectors and accompanying PCAF data quality scores. This makes ING an absolute frontrunner in terms of scope and depth of CO<sub>2</sub> reporting.



**Reporting on Scope 1 & Scope 2 emissions**



**Reporting on Scope 3 financed emissions for more than 50% of the total exposure**

Figure 19: Maturity level of Emissions Monitoring



<sup>30</sup> Greenhouse Gas Protocol. (2023) The Greenhouse Gas Protocol.



## 3.4.2 Portfolio Level Disclosure

*All banks include climate risk factors in their lending, investment, and risk processes. However, only half of the institutions provide transparent information on their portfolio exposure to increased climate risk.”*

Banks face increasing sustainability-related disclosure requirements for their business activities due to recently introduced regulatory requirements such as the CSRD, EU Taxonomy, or Sustainable Finance Disclosure Regulation (SFDR). Furthermore, they are obliged to integrate ESG factors into their risk assessment and lending processes.

While some institutions are responding with a comprehensive strategic realignment and integration of ESG by investing in technology, data, and processes, other institutions find themselves caught between a rock and a hard place, trying to fulfil the new

requirements while adapting established business practices as little as possible.

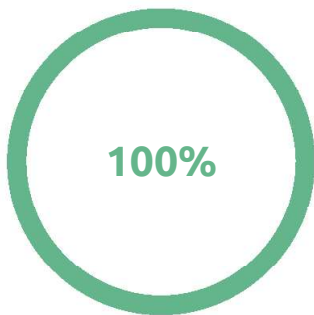
All banks analyzed claim that climate risk factors are considered in decision-making processes on new business. Existing portfolios and particularly critical exposures are regularly reviewed in terms of their climate risk exposure, e.g. via climate stress tests or sector analyzes.

However, banks are still hesitant to disclose detailed information regarding the volumes of portfolios exposed to elevated climate risks. Only 7 out of 15 banks provide adequate information on this matter.

### Best Practices

**Aareal Bank** employs scenario analyzes to assess climate risks, specifically evaluating the impacts of transitional and physical climate risks. The analyzes are based on the climate pathways established by the Network for Greening the Financial System (NGFS) or internal shock scenarios. Climate change scenarios are complemented by a scenario addressing social change.

In its “ESG Data Pack”, **HSBC** publishes a multitude of ESG-related information of its portfolio. Part of the publication is, for example, the disclosure of credit portfolios by sector that are exposed to a high transition risk. Another example is the UK retail mortgage portfolio, presented granularly in terms of its Energy Performance Certificate (EPC) ratings and the risk profile for flooding.



**Integration of climate risk factors into decision-making processes**



**Reporting on exposure of portfolio to increased climate risk**

Figure 20: Maturity level of assessment and publication of climate risks

# 4 Conclusion

With the FS ESG Benchmark Report 2024, we provide valuable insights into the engagement levels of financial institutions across key material topics.

In the topic cluster of **Products and Services**, Energy Transition, Mobility, and Real Estate have emerged as key areas where a significant proportion of banks are actively engaged. Conversely, sectors such as Agriculture, Biodiversity, and Circular Economy present substantial potential for further development and market positioning. As ESG integration becomes increasingly embedded in the global economy, it is of strategic importance for banks to embrace changes and start acting proactively to secure long-term financial success.

The focus of financial institutions under decarbonizing **Internal Assets and Operations** has been found to be towards reducing emissions from buildings, mobility and daily operations. Initiatives such as obtaining green building certifications,

procuring renewable energy, adopting clean mobility for employees, and implementing waste disposal and recycling practices are well underway. However, there remains significant room for improvement in the adoption of sustainable data practices, including the use of low-code software and investment in clean technology solutions. Advanced technologies like AI and predictive analytics are expected to drive progress by leveraging data to enhance sustainability efforts.

**Governance**, which channelizes and empowers the capabilities of strategies, people, and systems has been found to be the most mature topic cluster. Considerable efforts have been made to enhance subject areas such as Diversity & Inclusion, Employee Engagement, and External Stakeholder Management. The primary shortfall is in Carbon Offset initiatives. While three out of four banks have developed action plans for future carbon offsetting, only half have begun to offset their Scope 1 and Scope 2 emissions today. As there is no regulatory mandate for immediate offsetting, this proactivity can be named

commendable. From a more critical point of view, however, banks may be perceived lacking genuine, sustainable responsibility. Associated costs for offsetting Scope 1 and Scope 2 emissions are modest compared to the overall economic activity.

The quality of **Reporting** has seen significant improvements, driven by both increased regulatory requirements and widespread voluntary initiatives such as CDP. Despite achieving a commendable level of quantity and quality, there is still a substantial need for standardization. The variability in information presentation among institutions makes comparison difficult. Some banks provide comprehensive sustainability reports that address most queries, while others distribute critical information across various reports, frameworks, spreadsheets, and their websites. It remains to be seen to what extent the introduction of CSRD will resolve this problem.

Our research indicates that several key topics are poised to become central to financial institutions in the future.

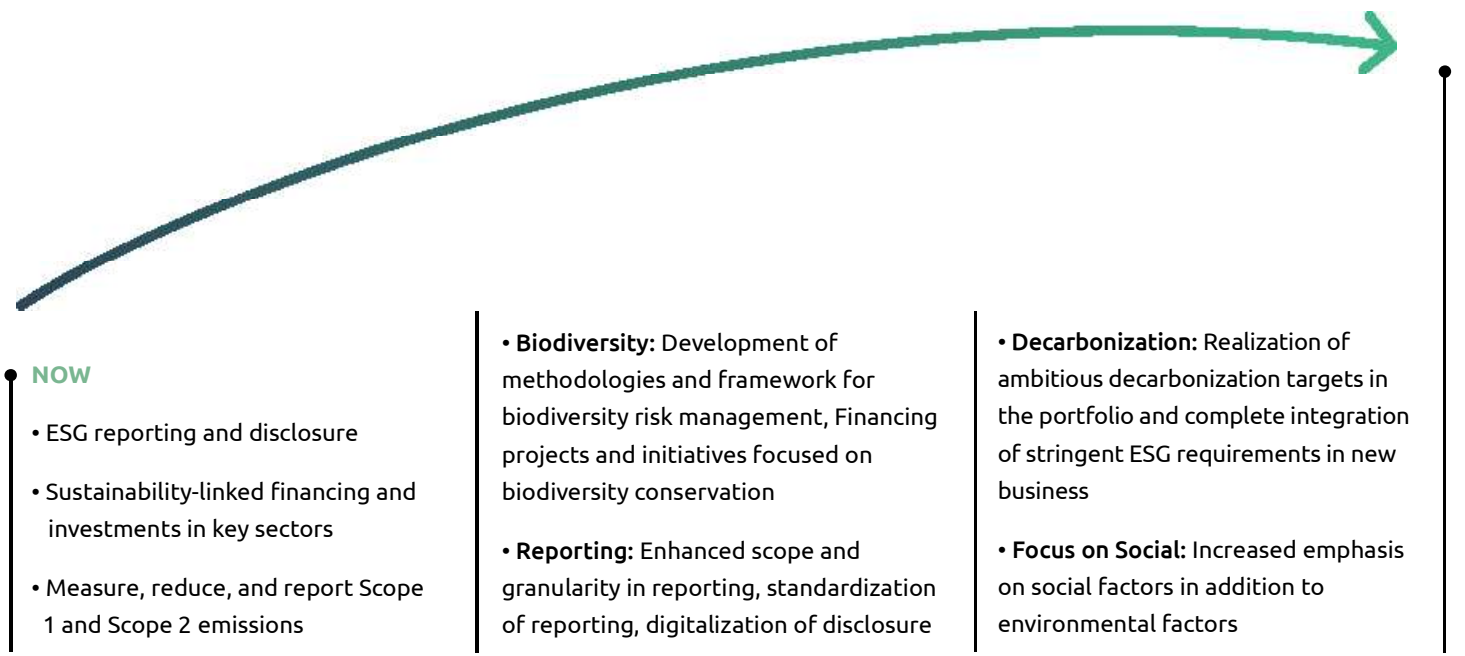


Figure 21: Evolving ESG landscape

# 5 Walking the talk

Leveraging our proven expertise, we can support you turning opportunities into success stories as a trusted partner throughout your transformation journey. Our support extends to areas such as ESG intelligence and data strategies, ESG data hub and Generative AI for sustainability, sustainable products and services, sustainable IT transformation, and beyond.

We offer deep knowledge and experience in regulation, strategy, technology, and implementation, enabling our clients to accelerate their sustainability goals and achieve excellence through data-driven solutions.

## Capgemini in Numbers

- € 22.5 bn revenue, thereof ~ 25% in the Financial Services industry
- + 25 years frontrunner in FS
- + 1,500 FS clients worldwide
- Strategic partner for + 50 FS clients
- + 70,000 employees specialized in FS

## Selected Partnerships and Awards



Ambitious target **validated by SBTi** in line with a 1.5° degree pathway



Member of „Alliance of CEO Climate Leaders”



**Platin-Rating** for our performance as a “responsible and sustainable company”



**CDP Gold Accredited Partner** for expertise in Climate Change consultancy



Founding member of the UN’s “Race to Zero” campaign



Signatory of the “UN Global Compact’s Business Ambitions for 1.5°C” CEO Declaration



Received the “**World’s Most Ethical Companies**” award by Ethisphere for the **11th time**





## Our Success Stories (excerpt)

We are Champions in end-to-end project delivery, from strategy to go-live.

- We have developed a unique vision and value proposition with our strategic partners.
- We have global partnerships with cloud platforms and leverage their expertise to develop joint Go-to-Market strategies.
- We are experts on climate disclosure standards, ESG regulations, and methodologies.
- We have analyzed various climate disclosure standards and built an extensive knowledge of the regulatory landscape.
- We have led more than 100 projects over the last 6 months on regulatory topics.
- We help our clients reduce their environmental impacts since 2011 across all sectors, defining Net Zero strategies and new business models, implementing sustainable products and services, and Green IT, and leveraging data for risk modeling, trajectory data modeling for carbon accounting, and reporting purposes.
- We help our clients in measuring their ESG performance from the data strategy to the reporting.
- We are a CDP Gold accredited partner and have been recognized for helping corporates and financial institutions through their decarbonization journey.
- We assisted over 250 corporates in the entire decarbonization chain, including the definition of their emission reduction trajectories.
- We support corporates and financial services in implementing climate standards (PCAF framework, SBTi standards, GHG protocol, PACTA), analyzing the impacts of CSR norms and standards on client portfolio strategy, and complying with regulatory requirements (EU Taxonomy, SFDR, CSRD).
- We have built and implemented multiple data platforms for the public sector, financial institutions, and corporates across the world.



Contact us if you want to learn more



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## About Capgemini

Capgemini is a global business and technology transformation partner, helping organizations to accelerate their dual transition to a digital and sustainable world, while creating tangible impact for enterprises and society. It is a responsible and diverse group of 340,000 team members in more than 50 countries. With its strong over 55-year heritage, Capgemini is trusted by its clients to unlock the value of technology to address the entire breadth of their business needs. It delivers end-to-end services and solutions leveraging strengths from strategy and design to engineering, all fueled by its market leading capabilities in AI, cloud and data, combined with its deep industry expertise and partner ecosystem. The Group reported 2023 global revenues of € 22.5 billion.

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